

Message Text

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ACTION ARA-10

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
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XMB-02 CIEP-01 COME-00 OES-06 /083 W
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SUBJ: THIS WEEK IN VENEZUELA
REF: CARACAS 14873(NOTAL)

SUMMARY. THE VENEZUELAN CABINET RESIGNED IN A MOVE TO FACILITATE
PRESIDENT PEREZ' REORGANIZATION OF THE CABINET. OIL EXPORTS NOT
EXPECTED TO DECLINE IN NEAR FUTURE. PLAN VI BORROWING INITIATED.
PEREZ' NEW YEAR ADDRESS FOCUSED ON THE PERFORMANCE OF THE ECONOMY.
HE ALSO ANNOUNCED NEW CREDITS FOR LATIN AMERICAN OIL IMPORTERS.
INFORMATION MINISTER GROOSCORS WILL VISIT WASHINGTON
IN CONNECTION WITH VENEZUELA'S BICENTENNIAL GIFT TO THE US.
ABSENTEEISM BRINGS PRODUCTION TO NEAR STANDSTILL. END SUMMARY.

1. CABINET RESHUFFLE UNDERWAY. AS THE FIRST STEP IN PRESIDENT
PEREZ' LONG AWAITED CABINET RESHUFFLE, ALL CABINET MEMBERS
SUBMITTED THEIR COLLECTIVE RESIGNATION TO THE PRESIDENT ON
JAN 6 ALONG WITH TWO STATE GOVERNORS. PEREZ IS EXPECTED
TO ANNOUNCE HIS NEW CABINET AS EARLY AS JAN 7, OR PERHAPS
OVER THE WEEKEND. PRESS SPECULATION IS INTENSE. ALTHOUGH
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VARIOUS SPOKESMEN EMPHASIZED THAT THERE IS NO CRISIS, THE DEVICE
OF MASS RESIGNATION IS NOT USUAL(LAST USED BY PRESIDENT LEONI
1964-69). SPEAKING TO NEWSMEN AFTER THE MASS RESIGNATION, AD
PARTY PRESIDENT GONZALO BARRIOS STATED THAT THE NUMBER OF CHANGES
WOULD PROBABLY BE LIMITED TO FOUR OR FIVE. EARLIER IN THE WEEK
PEREZ ISSUED A DECREE ESTABLISHING SEVEN NEW MINISTRIES IN
ACCORDANCE WITH THE RECENTLY PASSED CENTRALIZED ADMINISTRATION

LAW (CARACAS 14747). THESE WILL BEGIN TO FUNCTION ONCE THE CONGRESS' STANDING COMMITTEE HAS APPROVED AN OPERATING BUDGET FOR EACH.

2. OIL EXPORTS NOT EXPECTED TO DECLINE IN THE NEAR FUTURE. LOCAL OIL COMPANY REPRESENTATIVES SEEM TO AGREE WITH CLAIMS BY GOV OFFICIALS THAT VENEZUELAN OIL EXPORTS WILL NOT SUFFER, AT LEAST IN THE SHORT TERM, AS THE RESULT OF PRICE INCREASES AGREED IN OPEC COMBINED WITH INCREASE IN OIL PRODUCTION BY SAUDI ARABIA. MINIES MINISTER VALENTIN HERNANDEZ STATED THAT VENEZUELA WOULD BE ONE OF THE COUNTRIES LEAST AFFECTED BECAUSE OF THE WIDE VARIETY OF CRUDE OIL IT HAD AVAILABLE FOR EXPORT, ITS PROXIMITY TO MAJOR MARKETS, AND ITS RECORD AS A DEPENDABLE SUPPLIER. HE CULD HAVE ADDED THAT OVER ONE-THIRD OF VENEZUELAN EXPORTS ARE IN THE FORM OF REFINED PRODUCTS, AND ARE THUS NOT BOUDN BY OPEC PRICING RULES.

3. PLAN V BORROWING INITIATED. THE GOVT OF VENEZUELA HAS ASKED FOREIGN BANKS TO SUBMIT PROPOSALS TO THE CENTRAL BANK BY THE END OF THS WEEK FOR A \$1.2 BILLION SYNDICATED EURODOLLAR LOAN. THE GOV HAS STIPULATED AN EITH YEAR TERM FOR THE LOAN, INCLUDING A TWO YEAR GRACE PERIOD. THESE FUNDS WILL BE USED TO FINANCE INVESTMENTS UNDER PLAN V, AND REPRESENT ONLY A PART OF THE TOTAL OF \$5 BILLION AUTHORIZED TO BE BORROWED FOR THIS PURPOSE DURING THE NEXT COUPLE OF YEARS. LOCAL SOURCES EXPECT THAT LOAN WILL CARRY WITH IT AN INTEREST RATE TIED TO AND APPROXIMATELY 1 1/8 PERCENT GREATER THAN THE LONDON INTERBANK RATE, AND EXPECT GOV WILL HAVE NO PROBLEM GETTING THE MONEY. WE UNDERSTAND THE REPUBLIC OF VENEZUELA WAS GIVEN AN AAA LIMITED OFFICIAL USE

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RATING BY MOODY'S YESTERDAY. THERE MAY BE A PROBLEM WITH FUTURE LOANS ON THIS SCALE BECAUSE MAJOR US BANKS WHICH TRADITIONALLY DO BUSINESS IN VENEZUELA ARE APPROACHING LIMITS ESTABLISHED BY US LAW GOVERNING PERCENTAGE OF LOAN PORTFOLIO WHICH CAN BE HELD BY ONE CUSTOMER.

4. PRESIDENT'S NEW YEAR ADDRESS. PRESIDENT PEREZ' 1977 NEW YEAR ADDRESS, LACKED THE PUNCH AND DRAMA THAT CHARACTERIZED HIS MESSAGES OF 1975 AND 1976 WHEN HE ANMNOUNCED THE NATIONALIZATION OF THE IRON AND PETROLEUM INDUSTRIES, RESPECTIVELY. PEREZ WAS UPBEAT AND EXTERMELY OPTIMISTIC CONCERNING VENEZUELA'S ECONOMIC PROSPECTS, ALTHOUGH THE SPEECH REMAINED ESSENTIALLY DEFENSIVE IN NATURE. HE DESCRIBED 1976 AS THE THIRD CONSECUTIVE YEAR OF EXPANSION FOR THE COUNTRY AND WAS ESPECIALLY EFFUSIVE WITH REGARD TO DEVELOPMENTS IN THE PETROLEUM SECTOR. PEREZ MAINTAINED OPEC WAS IN NO DANGER OF SPLITTING UP DESPITE THE "BRUTAL STRATEGY" OF SOME "DEVELOPED COUNTRIES." HE CRITICIZED THE LACK OF PROGRESS AT THE CIEC MEETINGS AND WARNED THAT 1977 WOULD BE DECISIVE FOR NORTH-SOUTH RELATIONS. ON THE HOME FRONT,

PEREZ WARNED OF THE DANGER OF POLITICAL CORRUPTION AND ASKED CONGRESSIONAL APPROVAL OF A BILL TO UNIFY THE NATION'S POLICE FORCES IN ORDER TO BOLSTER THE GOVT'S FIGHT AGAINST CRIME. OPPOSITION POLITICAL LEADERS LATER CRITICIZED PEREZ FOR BEING TOO ROSY ON THE CONOMY.

5. PEREZ ANNOUNCES NEW CREDITS FOR LATIN AMERICAN OIL IMPORTERS. IN HIS NEW YEAR'S ADDRESS, PRESIDENT PEREZ ALSO ANNOUNCED THAT LATIN AMERICAN COUNTRIES WHICH IMPORT VENEZUELAN OIL HAVE BEEN OFFERED CONCESSIONAL FINANCING TO COVER THE 10 PERCENT INCREASE IN THE PRICE OF VENEZUELAN OIL. NO DETAILS CONCERNING THE CREDITS WERE ANNOUNCED, BUT WE UNDERSTAND THAT CREDITS EXTENDED WILL BE ATTRIBUTED TO VENEZUEA'S EVENTUAL CONTRIBUTION TO THE OPEC SPECIAL FUND. THE GOV HAS REPEATEDLY ADVOCATED THE POSITION THAT DEVELOPING COUNTRIES WITH BALANCE OF PAYMENTS DIFFICULTIES SHOULD BE PROVIDED RELIEF FROM PAYING THE FULL BURDEN OF OIL PRICE INCREASES.

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6. INFORMATION MINISTER TO VISIT WASHINGTON. INFORMATION MINISTER GUIDO GROOSCORO WILL VISIT THE US JAN 8-14. AMONG OTHER BUSINESS, HE WILL ATTEMPT TO COORDINATE THE WASHINGTON UNVEILING OF A MASSIVE SCULPTURE BY VENEZUELAN ARTIST ALEJANDRO OTERO PRESENTED TO THE US AS A BICENTENNIAL GIFT FROM VENEZUELA.

7. ABSENTEEISM BRINGS PRODUCTION TO NEAR STANDSTILL. AS HAS BECOME CUSTOMARY AT THIS TIME OF THE YEAR IN VENEZUELA, FEW WORKERS REPORTED FOR THEIR REGULAR SHIFTS AND PRODUCTION SLOWED TO A NEAR STANDSTILL. THE DOOMSAYERS HAVE ROLLED OUT THEIR ANNUAL CALCULATIONS OF WHAT THIS COSTS THE ECONOMY AND THERE HAVE BEEN THE STANDARD CALLS FOR "MORE HARD WORK AND MORE RESPONSIBLE ATTITUDES." MANY BUSINESSES HAVE SIMPLY GIVEN UP AND CLOSED THEIR DOORS FOR "COLLECTIVE VACATIONS" OVER THE CHRISTMAS-NEW YEAR'S HOLIDAYS. EL NACIONAL SUCCINTLY CHARACTERIZED THE ATTITUDE OF MOST VENEZUELAN----"ANYONE WOULD WORK IF THE SKIES WERE NOT QUITE SO BLUE AND THERE WERE NOT SO MUCH CRUDE IN THE GROUND."

8. OTHER REPORTING THIS WEEK INCLUDED PRESIDENT PEREZ' CRITICISM OF PRESIDENT FORD'S PROPOSAL ON PUERTO RICO(CARACAS 0003 AND 0004), HIGHLIGHTS OF PEREZ' NEW YEAR ADDRESS(CARACAS 0053), VENEZUELAN CREDITS TO JAMAICA TO FINANCE PURCHASE OF VENEZUELAN OIL (CARACAS 0063), AND STATUS OF BORDONI EXTRADITION CASE (CARACAS 0087).

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